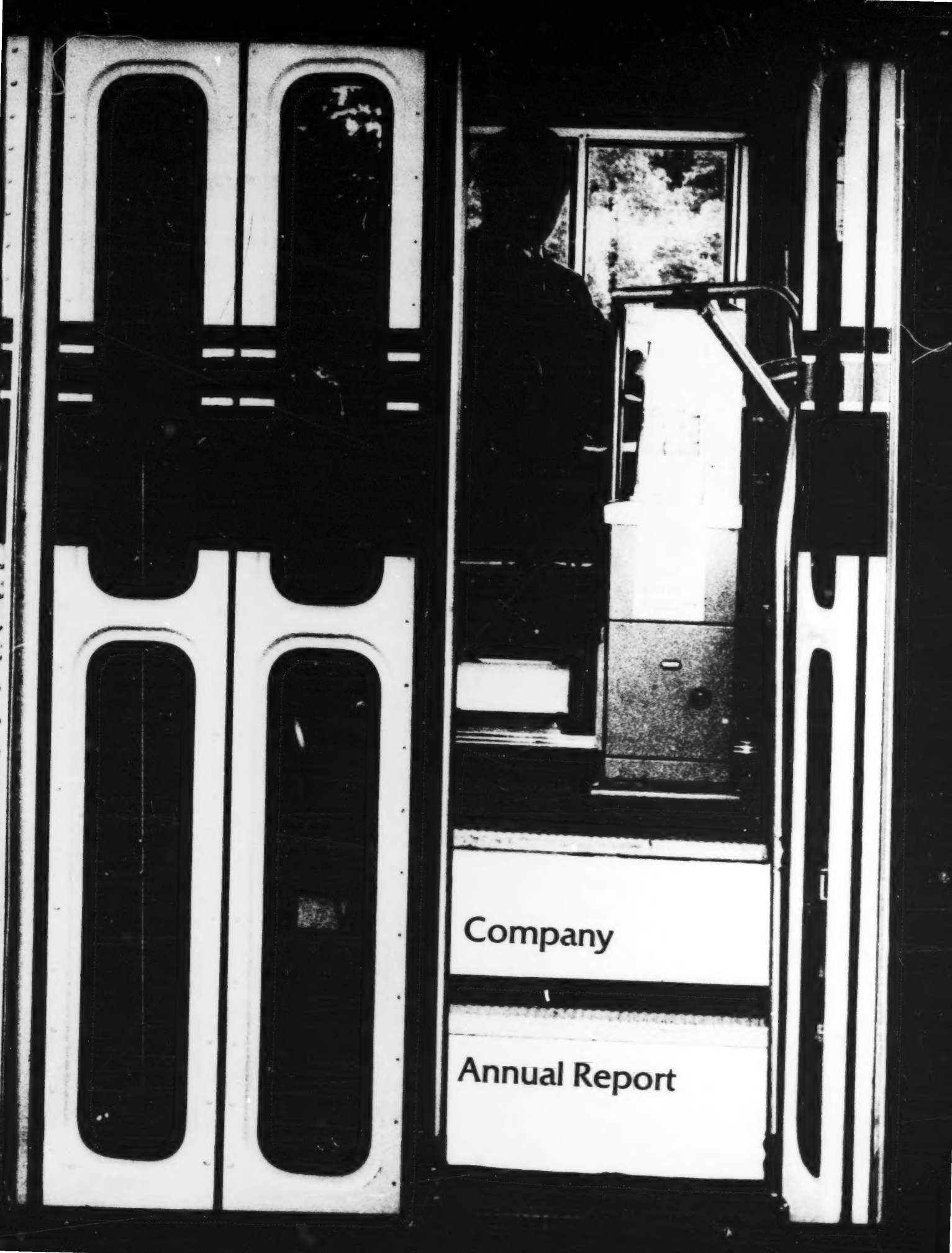
Company
Annual Report

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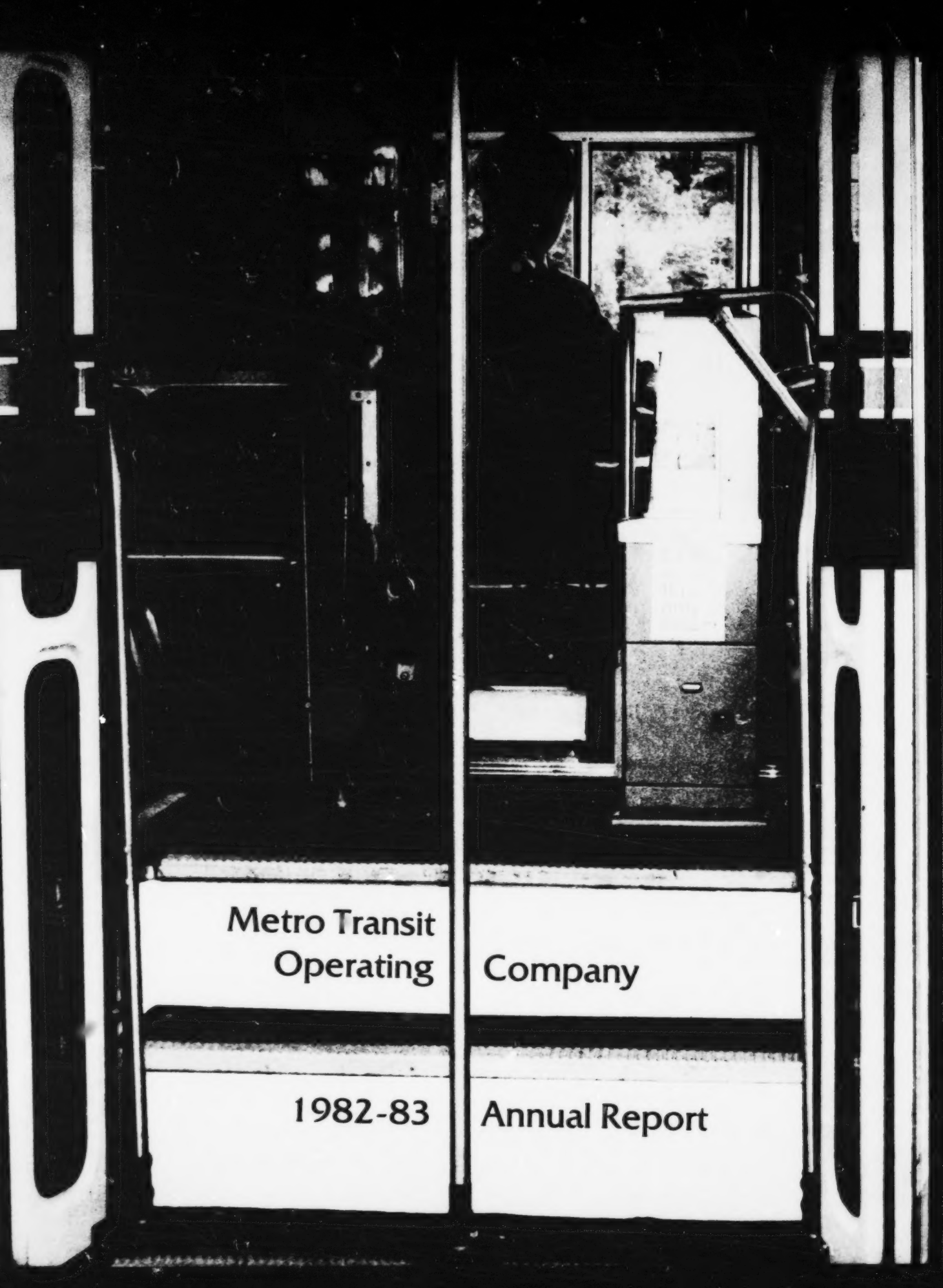
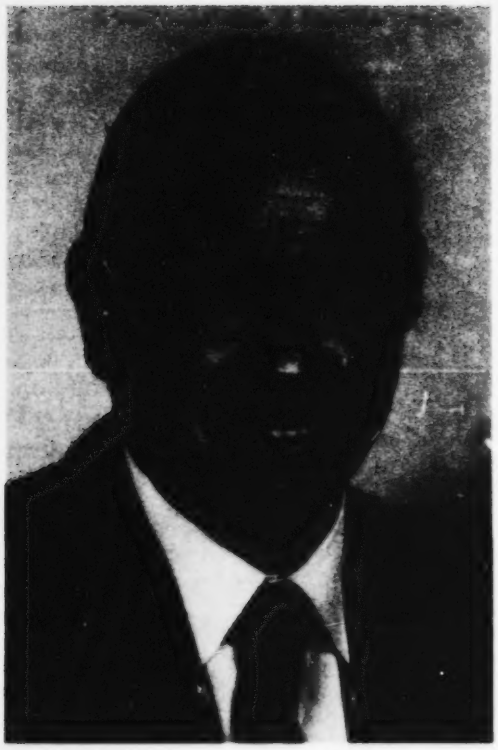


Metro Transit Operating Company

1982-83 Annual Report

Board of Directors

Left to right: William L. Anderson, Rita Johnston, Ronald Granholm, William E. Reid (Chairman), John B.E. Goult (Vice-Chairman), William H. Preston, R. William Long, Larry I. Bell.



The Chairmanship of the Board of Directors of Metro Transit Operating Company has been and is a very rewarding experience. During my tenure since March 13, 1980, along with the support of a very effective Board, I have seen many positive changes. The current and future expansion of the public transit system will provide an efficient, effective and integrated system that will be a showpiece to the world.

Tremendous inroads have been made in reducing costs and we were able to keep the costs of delivering the service down to a 7% increase per kilometre of revenue service provided even though we were faced with wage increases of 12 to 16% during this last year of two-year contracts with the union representing the operations and maintenance employees as well as the union representing the office and administration employees. Cost reductions were accomplished even though employee wage and benefit costs represent as much as 78% of our total operating costs.

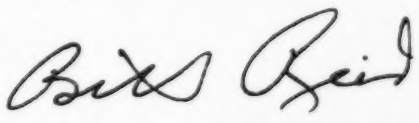
Safety of our passengers and employees is a major concern of the Company and we expend a great deal of effort in this area. The results of this initiative are that we were the recipients of the first place award of the Canadian Urban Transit Association in Industrial Safety compared to all other comparable transit systems in Canada and we also received the second place Passenger Safety award. Additionally, our Vancouver and Victoria operations were the recipients of the American Public Transit Association's Certificate of Achievement in motor bus safety for the 1982 calendar year.

For the first four months of 1983, our Victoria Division had the best safety record for properties of similar or of a larger size in the whole of North America.

We are committed to providing a safe transit system to the public, and to providing a safe working environment for our employees. The national recognition we have achieved as recipients of the aforementioned awards attests to that commitment.

During the 1982/83 operating period, even though there was a 6% decline in revenue ridership due primarily to the economic conditions, we delivered 1,474,000 more revenue kilometres of service within the Greater Vancouver area, and 436,000 more revenue kilometres of service in the Capital Regional area, than had been delivered during the 1981/82 fiscal period. It is therefore most apparent that, even with declining ridership and the economic conditions, there was an improvement in the amount of service delivered — particularly in the suburban areas.

The Board of Directors and I are proud to be identified with a Crown Corporation which has shown fiscal responsibility, while at the same time providing one of the safest and most effective services in Canada. Our efforts to attain more cost efficiencies while carrying out our mandate to provide an effective public transportation system will continue.



William E. Reid
Chairman

We have had a comparatively successful year in the delivery of public transit in the Greater Vancouver and Capital Regional District areas. We were able to control and, in fact, reduce costs on a relative basis.

We received national recognition from our peers through the Canadian Urban Transit Association, receiving first place for the best performance in reducing industrial accidents and receiving second place recognition for passenger safety. If there had been a third place award for reducing the vehicle accident rate we would have received it. As it was, we were only .8% below second place in this category. These awards were for properties of our size or larger. In the first quarter of 1983, our Victoria operation gained recognition for being the safest transit system of its size or larger in North America.

We consider the safety of our passengers and employees as being of paramount importance and the awards and recognition we receive is a testament of the dedication of our employees to this end.

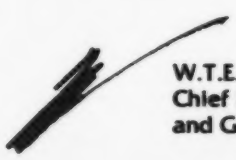
With over 3100 employees, labour relations places extreme demands upon us. The responsibility to reduce costs and provide a cost effective system is at odds with some of the demands made upon us by the various bargaining units.

With a new union representing the operators and mechanics and their need to prove themselves, the labour relations environment has been very unsettled and disruptive at times. We are now entering into an even more difficult period with fiscal restraint demands, contract negotiations with both the Independent Canadian Transit Union and the Office and Technical Employees Union and a possible representation raid this coming October to represent the operators and mechanics.

It is very difficult to have good labour relations during a period such as this but we are making and will be making every effort possible to maintain morale and harmony with our employees.

Fiscal restraint places even more pressure on management to perform; fortunately, we entered that period voluntarily, well in advance of a formal requirement and will be able to handle ourselves well.

Generally speaking we have a very dedicated group of employees, which includes our operators, mechanics, management, office workers and other essential personnel. The safety records and relative cost reductions attest to this and I am confident that their good judgement will prevail in the difficult times ahead to enable us to deliver an efficient and effective transit service.



W.T.E. Allan
Chief Executive Officer
and General Manager

Lower Mainland Operations

In late 1982 and early 1983 the first of the 245 new Flyer trolley coaches were gradually introduced.

Service calls to Transit Control increased as the sophisticated electronic control panels of the new trolleys were adjusted for Vancouver conditions, but by year's end had almost returned to normal levels.

35 new Flyer Urban diesels and 15 GM Hillclimbers also went into service. The Hillclimbers took over on the Westlynn route in North Vancouver and on an increased Simon Fraser University service. The increase was necessary to meet the needs of a student body which has grown by 27% in four years.

Other increases, in a year of operating cost reductions through improved scheduling efficiency, included 21 new A.M. and 20 new P.M. trips on the main commuter corridors, and the introduction of the new 25 KING EDWARD crosstown route which extends 25 kilometres from the westernmost end of the city of Vancouver to central Burnaby. During weekday peak periods the new service extends to U.B.C.

Overall, revenue hours of service increased by 2.15%.

SeaBus

By the end of the fiscal year, SeaBus was nine months into its sixth year of operations and had carried a total of 18,418,502 passengers.

Once again, in 1982/83, an on-time dispatch reliability of 99.99% was maintained. The passenger count dipped slightly (-2.2% to 3,126,219) below the previous year, due mainly to a reduction in riders during the winter months.

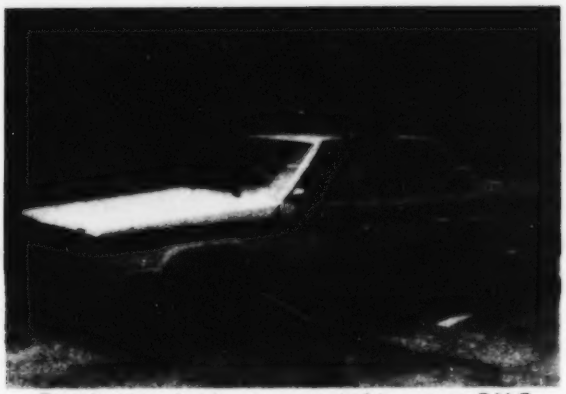
SeaBus employees continued to build on an outstanding safety record. By December 18th, 1982, they had worked for 450,000 injury-free hours. In the accompanying picture they show the certificate presented by General Manager Bill Allan.

New Flyer diesel on the 25 KING EDWARD route.

Roof-top Electronic Arrows Installed on Supervisors' Vehicles

Early in the year, six transit supervisors' vehicles were equipped with large electronic arrows to assist in traffic control.

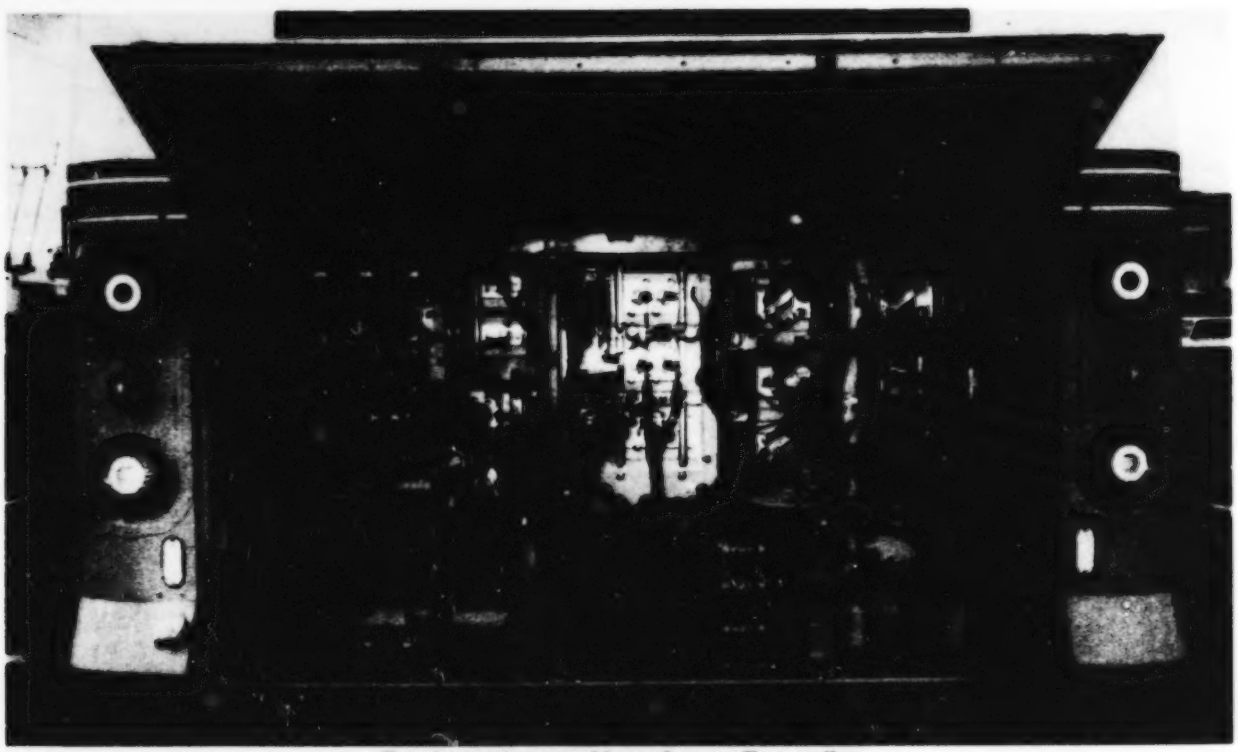
When trolley wires are down or a bus is disabled, particularly over a hill or around a curve, the highly visible arrows have provided a more advanced warning. Their major value, however, has been in helping to keep buses moving in the downtown area.



Transit supervisor's car converted to run on C.N.G.

Cars Converted

Seven supervisors' cars were converted to operate on compressed natural gas (CNG). It is estimated that fuel savings alone will pay for the conversion in six months (based on each car averaging 6000 k.m. per month). Longer engine life and reduced maintenance will account for further savings.



The electronic control box of a new Flyer trolley.

Lower Mainland Maintenance

The maintenance of the Greater Vancouver fleet of 897 buses continued with its usual efficiency. In fact, while diesel engine life averaged an impressive 420,000 k.m., a good preventive maintenance program increased the interval between oil changes to 75,000 k.m., compared to the 19,200 k.m. averaged at other Canadian transit properties.

The sophisticated electronic control box of the new Flyer E902 presented fresh challenges to our trolley coach mechanics. In a series of four courses presented by Westinghouse and one by Metro Transit, mechanics were introduced to the intricacies of chopper control, and how to diagnose and eliminate problems. Metro Transit will provide several more courses in 1983/84.

The installation of new equipment at Cambie Garage helped increase efficiency and cut costs:

Two parts-washing machines replaced the hot tank. A great deal of energy was required to maintain the caustic cleaning solution in the tank at the necessary temperature. The annual operating cost was $64,000. Through energy savings alone the new washing cabinets will pay for themselves in two years.

A specially designed workbench, built at Cambie Garage, makes the overhaul of cylinderheads simpler and faster. The cylinderhead is held above the bench between clamps and can be rotated 360 degrees, with four locking positions. For machining, the cylinderhead is simply rolled to the centre section, locked in position and raised towards the drill by air pressure.

M.T.O.C. class for trolley coach mechanics.

New Administrative Offices

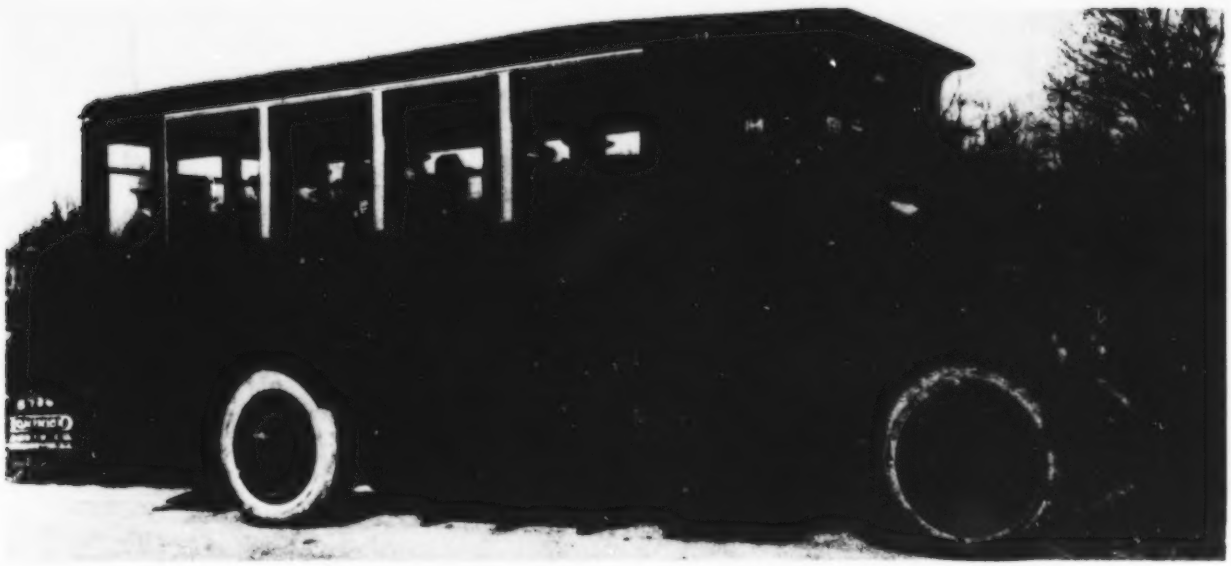
The old sign shop on the second floor of Cambie Garage was transformed into modern maintenance administrative offices and 13 people, including Division Manager Don Jackman, moved in on June 21, 1982.

Planning and construction were carried out by Metro Transit employees.

A new 25 KING EDWARD sign being silkscreened at Cambie Garage.

New energy-saving parts-washing machine.

The 60th Anniversary of Bus Service in Vancouver



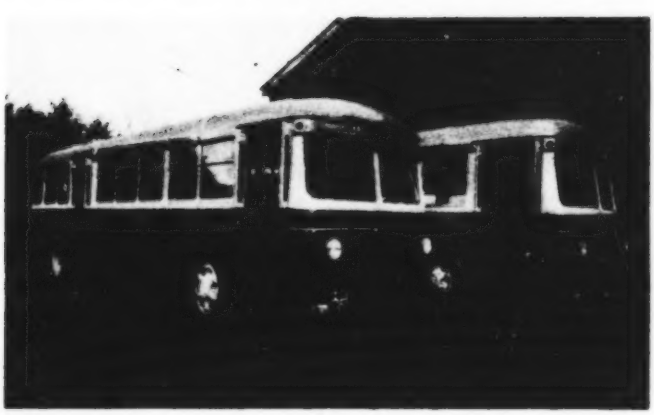
counter clockwise from top:

1923 - All aboard for a preview of Vancouver's first bus route.

1927 - One of Vancouver's two original buses and a streetcar pick up passengers at Broadway and Commercial.

1937 - New Mack buses, the first to have flat fronts and rear engines, replaced street-cars in New Westminster.

1945 - The first trolley bus seen in British Columbia came from Seattle and was demonstrated in Vancouver and Victoria.



On Friday evening, March 16, 1923, two White motor buses arrived in Vancouver. The following morning the mayor, aldermen and B.C.E.R. representatives previewed the city's first transit bus service. Starting at Broadway and Commercial they followed a two-and-a-half mile newly paved route along Broadway to Renfrew and via 22nd Avenue to Rupert. All along the route reception committees were waiting, leaving no doubt that the new service would be welcome.

Initially bus routes were extensions of street-car lines, but by 1937 buses had replaced street-cars entirely in New Westminster. North Vancouver followed in 1947 and Vancouver in 1955.

In 1982/83, 598 diesel buses and 299 trolley coaches carried 142.5 million passengers over 125 routes, covering 1060 street kilometres in the Greater Vancouver area.

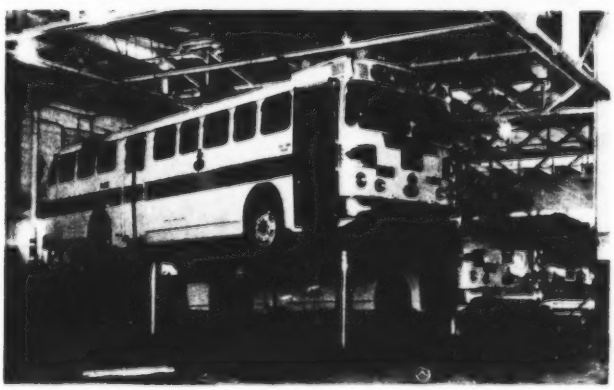
counter clockwise from bottom left:

1948 - New buses for Vancouver's first trolley route — Fraser/Cambie. Photograph was taken from the Sun Tower.

1950 - New Twin Coach motor buses in Oakridge Garage for servicing.

1977 - Flyer trolley and GM diesel on Granville Mall.

1982 - The first production models of the Flyer E901 trolley coach to arrive in Vancouver were unloaded from a flatcar by crane.



Accident Prevention & Security

An Excellent Year for Safety

The collision and passenger injury rates and the number of worker injuries all decreased in 1982.

Metro Transit operators set a new record in 1982; the collision rate was 15% below the previous low mark set in 1979 and 53% below the rate for 1975. Considering that the number of vehicles on the road has increased by 40% since 1975 and that the automobile accident rate has increased substantially, the operators are to be congratulated on a remarkable performance.

In passenger safety 1982 was also a record-breaking year. The accident rate dropped 9% below the 1981 figure to earn Lower Mainland operators the Canadian Urban Transit Association's second-place award for Passenger Safety.

The number of on-the-job injuries dropped for the fourth straight year. The 1982 decrease, a healthy 23%, earned C.U.T.A.'s first-place award for Industrial Safety.

Successful first year for the "Combat Vandalism" program

Since its introduction early in 1982, Metro Transit's "Combat Vandalism" program has both encouraged more people to report acts of vandalism and acted as a deterrent.

15 operators and 17 members of the general public received cash awards for their cooperation. A good example of public cooperation was the case of Operator Larry Wilkinson who was knocked down while attempting to apprehend two youths who had just smashed a window of his bus. A passenger immediately came to Larry's assistance and two people who were passing in a car stopped to help. Both assailants were charged and found guilty of "Assault and Creating a Disturbance in a Public Place".

The deterrent value of the program was probably even more important. 776 fewer seats were slashed than in 1981 and in the last six months of 1982 only half as many windows were vandalised.

Operator John Phillipe receives a $100 "Combat Vandalism" award.

Fire Prevention

As part of the ongoing training of Metro Transit personnel in the use of equipment and fire fighting techniques, the fire prevention staff conducted sessions for maintenance personnel at Cambie and Carrall Garages. A portable firewall was used to add realism to the exercises.

In a series of 77 sessions, an additional 1,189 Greater Vancouver firefighters were introduced to the Emergency Procedure Program, designed to train them to deal with emergencies on transit vehicles.

The general public, particularly motorists, benefit regularly from the training provided to operators. During the year they came to the aid of citizens on 29 occasions.

Finance

The Finance Division continued to carry out its responsibilities in the Accounting, Corporate Reporting, Payroll, Treasury and Purchasing areas with improved efficiencies and effectiveness. Rationalization of office space and further utilization of computerized reporting and control systems contributed to these achievements.

Improvements in internal controls and data collection enhanced the Accounts Payable and Payroll systems in concert with the ongoing management objective of continually refining financial controls and management reporting information.

The Treasury Department functions have been broadened to include internal audit responsibilities. One of the major concerns within the Treasury Department throughout the operating period has been to implement task force recommendations relating to the controls of farebox receipts. Internal and security controls with regard to the farebox receipts have become an industry-wide concern especially with the imminent increase in usage of dollar bills.

The Purchasing Department contributed to the enhancement of the inventory control system and continued to monitor purchasing activities at the local levels. Significant savings were achieved in fuel prices when tenders were called for new contracts.

Finally, the budget and planning process within the Corporate Reporting Department has been further streamlined in order to reduce the amount of manual manipulation and verification required. During the current period of cost restraint, the operating budgets and funding requirements have been reworked on several occasions. Management reporting has also been enhanced to include key comparative statistical measures as a means of performance evaluation. A major objective in the 1983/84 operating period will be to expand the management report ing system at the Divisional Management levels.

Management Information Systems

In contrast to the previous year when the majority of the MIS effort had been concentrated on the conversion of computer applications from the B.C. Hydro system, 1982/83 could appropriately be termed the year of consolidation for the MIS Division.

Recognizing the economic environment and the need to operate within a restraint program, a major effort was undertaken by all MIS staff to reduce the service bureau costs. As a result of this effort there has been an approximate decrease of 20% in the monthly processing costs at year end compared to similar costs at the beginning of the 1982/83 fiscal period.

During the year over 200 separate enhancements were installed to improve the effectiveness and efficiencies of the various MTOC computer applications. In addition, new applications that were developed included the expanded payroll system, absence reporting system, as well as the bus and time maintenance system.

Computer terminals and a line printer were installed in the Victoria office to enable the processing of transit scheduling, inventory, as well as financial information. Additional terminals were also installed at Cambie Maintenance Division and the Personnel Department to bring the capabilities of the computer nearer to the users.

Greater Victoria Division

An increase in efficiency and effectiveness, and a reduction in operating costs, were the major thrusts during 1982/83. Transit services were rationalized to demand, resulting in some service reductions.

Victoria Division acquired its own two-way radio communication frequency in 1982. Previously, a frequency was shared with the Capital Regional District.

The long-awaited expansion of facilities for transit operators took place in 1982. By relocating some administration offices in a new addition, it was possible to virtually double the size of the main "Bull Pen". A new "Quiet Room" and a new sign-up area were included.

Finance

Throughout the 1982/83 fiscal period, the Victoria Finance Department worked closely with B.C. Transit on various projects. Cost studies were provided on the maintenance costs of old and new buses. The Department also assisted B.C. Transit in the evaluation of new fareboxes designed to handle dollar bills and collect data on total ridership.

The Finance Department also carried out its normal duties of accounting for operating costs, and was responsible in conjunction with the Vancouver corporate office for the preparation of the 1983/84 operating budget. The department was engaged in numerous discussions with B.C. Transit, providing supplemental analyses and detailed explanations of total funding requirements.

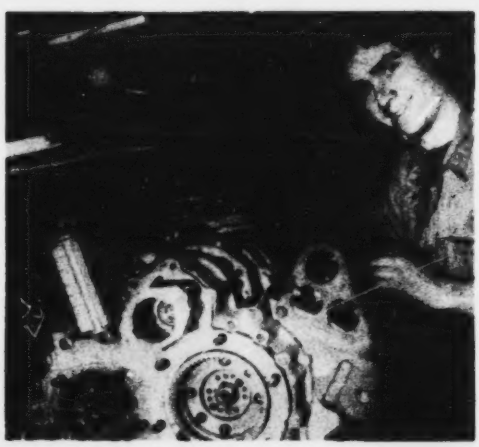
Personnel and Administration

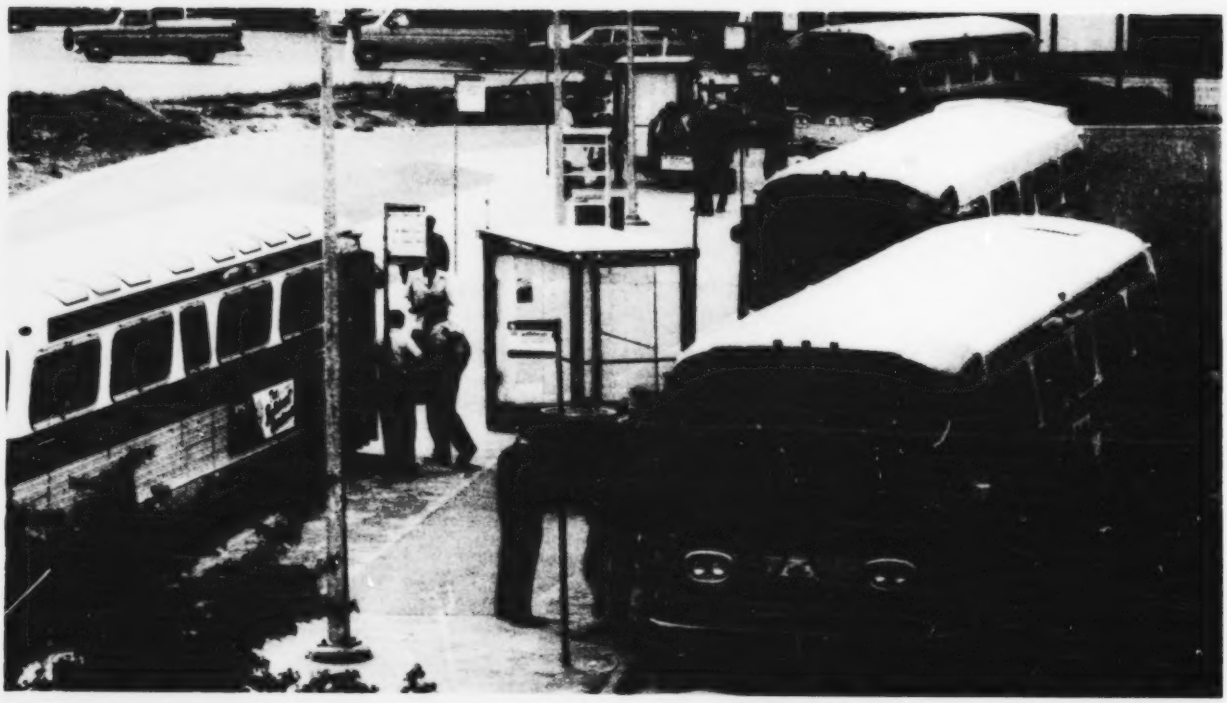
The introduction of a new version of the employee pass and a major restructuring of office procedures were highlights of the year.

There was a further trend towards the provision of clerical support from other departments, and a rescheduling of shifts to improve the transit information service.

Programs designed to recognize employee excellence continued.

Operator Ron Martin honoured for 20 years of accident-free driving.





Accident Prevention & Security

The Accident Prevention & Security Department processed 262 accident/incident reports. 132 claim files were created and referred to the Insurance Corporation of British Columbia, of which 67 were entered as recovery files.

Security personnel liaison with the courts and municipal police departments, resulted in a number of assault and vandalism charges being laid. Four convictions were obtained in which jail sentences were handed out. There were 36 assault-related incidents and 43 requests for assistance.

In the case of juvenile vandals, payment for damages was obtained from parents in 6 cases. A number of interviews with parents of suspected vandals were also conducted.

As a result of an ongoing Traffic Safety Awareness program, accidents were reduced by 21.5% overall, compared to 1981. This is a significant achievement in light of the fact that the 1981 figure was already 19.5% below that of 1980.

Maintenance

The Garbally Garage is a fully equipped facility with forty-seven employees on staff. The department's first priority, the maintenance of the Greater Victoria fleet of 121 buses, continued with its usual efficiency, while major overhauls were performed on B.C. Transit buses from smaller communities, and on the overflow from M.T.O.C. Lower Mainland garages.

While keeping the maximum number of vehicles available for the peak rush hour service, 42 engines, 67 transmissions and 12 differentials were rebuilt. The body shop prepared sixteen new G.M. buses for service in the Greater Victoria area, and the small communities. Eleven buses were repainted in the new red/white/blue colour scheme: nine G.M.'s for M.T.O.C. Victoria and two Orions for the smaller communities.

Metro Transit Operating Company
Operating Statistics
For the Year Ended March 31, 1983

	Greater Vancouver		Capital Region		Total Company	
	1983	1982	1983	1982	1983	1982
EMPLOYEES						
Operations	2,121	2,095	292	291	2,413	2,386
Maintenance	424	414	58	57	482	471
Administration	202	192	31	30	233	222
	2,747	2,701	381	378	3,128	3,079
REVENUE VEHICLES						
Motor Buses	598	569	121	121	719	690
Trolley Coaches	299	293	—	—	299	293
SeaBuses	2	2	—	—	2	2
	899	864	121	121	1,020	985
Peak Service	785	774	109	108	894	882
Base Service	419	428	80	78	499	506
REVENUE HOURS	2,802,000	2,743,000	422,000	408,000	3,224,000	3,151,000
REVENUE KILOMETRES						
Diesel	41,855,000	40,289,000	8,693,000	8,257,000	50,548,000	48,546,000
Trolley	13,439,000	13,531,000	—	—	13,439,000	13,531,000
	55,294,000	53,820,000	8,693,000	8,257,000	63,987,000	62,077,000
REVENUE PASSENGERS						
Excluding Transfers	90,000,000	95,500,000	13,200,000	*14,200,000	103,200,000	*109,700,000
PASSENGERS BOARDED						
Including Transfers	142,500,000	147,900,000	15,700,000	*16,900,000	158,200,000	*164,800,000
SCHEDULED SERVICE						
Street Kilometres	1,060	1,030	390	390	1,450	1,420
AREA SERVED						
Square Kilometres	1,250	1,250	430	430	1,680	1,680
Population	1,135,000	1,135,000	235,000	235,000	1,370,000	1,370,000

The number of employees listed is an average figure for the operating year.
The remaining statistics are as recorded at the end of the operating year.
* REVISED

Auditors' Report

The Directors,
Metro Transit Operating Company

We have examined the balance sheet of Metro Transit Operating Company as at March 31, 1983 and the statement of expenditures and recovery for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial positon of the Company as at March 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Vancouver, B.C.
May 25, 1983

Touche Ross & Co.
Chartered Accountants

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Metro Transit Operating Company
(Created under a Special Act of the British Columbia Legislature)
Balance Sheet as at March 31, 1983

	1983 $'000	1982 $'000 (Note 6)
Assets		
Current		
Cash	$ —	$ 130
Accounts receivable	79	155
Recovery from British Columbia Transit		
Operating expenditures	11,918	12,849
Other	6	775
Inventories	5,181	3,795
Prepaid expenses	2,096	2,281
	$19,280	$19,985
Liabilities		
Current		
Excess of cheques written over cash on deposit	$ 627	$ —
Accounts payable and accrued liabilities	15,280	17,204
Equity		
Contributed surplus (Note 4)	3,373	2,781
	$19,280	$19,985

Approved by the Directors

R. GRANHOLM — DIRECTOR

W.E. REID — CHAIRMAN

See accompanying notes to financial statements.

Metro Transit Operating Company
Statement of Expenditures and Recovery
For the Year Ended March 31, 1983

	Greater Vancouver		Capital Region		Total Company	
	1983	1982	1983	1982	1983	1982
	$'000	$'000 (Note 6)	$'000	$'000 (Note 6)	$'000	$'000 (Note 6)
Expenditures						
Operations						
Wages, salaries and benefits	$ 72,749	$ 65,217	$ 9,877	$ 8,628	$ 82,626	$ 73,845
Fuel and other petroleum products	9,584	8,622	1,698	1,560	11,282	10,182
Trolley electricity	1,767	1,606	—	—	1,767	1,606
Materials, services and other	3,331	3,540	306	334	3,637	3,874
	87,431	78,985	11,881	10,522	99,312	89,507
Maintenance						
Wages, salaries and benefits	16,450	14,279	2,079	1,844	18,529	16,123
Trolley overhead system	3,031	2,795	—	—	3,031	2,795
Materials, services and other	5,957	6,062	678	580	6,635	6,642
	25,438	23,136	2,757	2,424	28,195	25,560
Administration						
Wages, salaries and benefits	6,422	6,570	988	843	7,410	7,413
Materials, services and other	4,104	3,100	900	749	5,004	3,849
	10,526	9,670	1,888	1,592	12,414	11,262
Expenditures for the year	$123,395	$111,791	$16,526	$14,538	$139,921	$126,329
Recovery from British Columbia Transit						
Received					128,003	113,480
Receivable					11,918	12,849
					139,921	126,329
Net expenditures					$ —	$ —

See accompanying notes to financial statements.

Metro Transit Operating Company
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R. GRANHOLM — DIRECTOR

W.E. REID — CHAIRMAN

See accompanying notes to financial statements.

Metro Transit Operating Company
Statement of Expenditures and Recovery
For the Year Ended March 31, 1983

	Greater Vancouver		Capital Region		Total Company	
	1983 $'000	1982 $'000 (Note 6)	1983 $'000	1982 $'000 (Note 6)	1983 $'000	1982 $'000 (Note 6)
Expenditures						
Operations						
Wages, salaries and benefits	$ 72,749	$ 65,217	$ 9,877	$ 8,628	$ 82,626	$ 73,845
Fuel and other petroleum products	9,584	8,622	1,698	1,560	11,282	10,182
Trolley electricity	1,767	1,606	—	—	1,767	1,606
Materials, services and other	3,331	3,540	306	334	3,637	3,874
	87,431	78,985	11,881	10,522	99,312	89,507
Maintenance						
Wages, salaries and benefits	16,450	14,279	2,079	1,844	18,529	16,123
Trolley overhead system	3,031	2,795	—	—	3,031	2,795
Materials, services and other	5,957	6,062	678	580	6,635	6,642
	25,438	23,136	2,757	2,424	28,195	25,560
Administration						
Wages, salaries and benefits	6,422	6,570	988	843	7,410	7,413
Materials, services and other	4,104	3,100	900	749	5,004	3,849
	10,526	9,670	1,888	1,592	12,414	11,262
Expenditures for the year	$123,395	$111,791	$16,526	$14,538	$139,921	$126,329
Recovery from British Columbia Transit						
Received					128,003	113,480
Receivable					11,918	12,849
					139,921	126,329
Net expenditures					$ —	$ —

See accompanying notes to financial statements.

Metro Transit Operating Company
Notes to Financial Statements
March 31, 1983

1. Status of the Company

The Metro Transit Operating Company was created by the Province of British Columbia on July 31, 1979 under the Metro Transit Operating Company Act. The Act was brought into force by Proclamation on January 18, 1980.

2. Operating Mandate

The Company's mandate is to manage, operate and maintain public passenger transportation systems in designated areas within the Province, in accordance with annual operating agreements. Under this mandate, the Company took over the public passenger transportation systems and operations from the British Columbia Hydro and Power Authority (B.C. Hydro) in the metropolitan areas of Vancouver and Victoria on April 1, 1980. Effective the same date, the Company entered into major annual operating agreements governing the provision of transit services in these areas with the Urban Transit Authority of British Columbia, which has since September 1, 1982, been renamed British Columbia Transit (B.C. Transit), and the Greater Vancouver Regional District and the Capital Regional District. These initial agreements, which expired on March 31, 1981, have been renewed to March 31, 1984.

Pursuant to the provisions of its annual operating agreements, the Company is provided with the use of all major fixed assets, such as passenger carrying vehicles, land and buildings and tools and equipment, by B.C. Transit subject to lease fees chargeable by B.C. Transit to the Regional Districts. In addition, the Company acquired from B.C. Hydro certain assets, such as parts inventory, shop equipment, office furniture and equipment, service cars and trucks and computer software. The parts inventories have been recorded at their average cost.

The annual operating agreements also require that all operating revenues collected by the Company are remitted directly to B.C. Transit and that the Company's gross operating expenditures are in turn reimbursed by B.C. Transit with the deficit funding shared with the Regional Districts.

3. Summary of Significant Accounting Policies

a. Generally accepted accounting policies

The Company's accounts are prepared in accordance with generally accepted accounting principles including the use of the accrual method of accounting for operating expenditures.

b. Inventories

All inventories are valued at the lower of cost and replacement value. Cost is determined by using the average cost method.

c. Property and equipment

As explained in Note 2, B.C. Transit finances and owns all major assets utilized by the Company with recovery chargeable to the Regional Districts. Purchases of individual items in excess of the amounts shown below are accounted for as capital expenditures by B.C. Transit and purchases less than these amounts are expensed by the Company in the year of acquisition.

Tools and Shop equipment	$10,000
Passenger facilities	$ 5,000
Furniture and office equipment	$ 3,000

Maintenance and repairs expenditures are charged to operations in the year incurred.

d. Pension plans

The Company and its employees are subject to the Public Service Superannuation Act and current and past service costs are accrued and funded on a current basis. In addition, the Company by agreement accrues and funds on a current basis the increased costs resulting from pension indexing for retired B.C. Hydro public transportation employees.

4. Contributed Surplus

The details of contributed surplus are as follows:	$,000
Balance at beginning of year arising from assets granted to the Company on April 1, 1980 by B.C. Hydro (Note 2)	$2,781
Contributions of assets during the year from B.C. Transit	592
	$3,373

5. Pension Plans

Current year's pension costs amounted to $5,431,639 (1982 — $4,772,940) and increased pension costs in respect of retired B.C. Hydro employees amounted to $812,949 (1982 — $406,435).

6. Comparative Figures

The 1982 comparative figures have been re-classified where necessary to conform with current year's presentation.